



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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washington state department of
community, trade and economic development

December 12, 2003

Mr. Mark Walker
Director, Public Affairs
Northwest Power Planning Council
851 Southwest Sixth Avenue
Suite 1100
Portland, Oregon 97204

Subject: **Washington Utilities and Transportation Commission (“WUTC”) and
Washington Department of Community, Trade and Economic
Development (“CTED”) Comments on Council Paper “The Future Role of
the Bonneville Power Administration (“BPA”) in Power Supply”**

Dear Mr. Walker:

Thank you for the opportunity to comment on the Council’s analysis of challenges facing the BPA and its role in how the region will secure adequate power supply. The Council poses a number of questions, and we will respond to each after some general comments.

The WUTC and CTED strongly support the regional effort to clarify and stabilize the long-term role BPA will necessarily play in meeting the region’s power needs. BPA is the single most important component of the Northwest’s power system—because of the dominance of the power supply from the Federal Columbia River Power System (“FCRPS”) and the dominance of the Federal Columbia River Transmission System (“FCRTS”). The Council correctly points to the unparalleled value of these assets for the region and the paramount importance of preserving this value for the region in order to support a healthy economy and affordable electricity service to consumers. It is strongly in Washington’s interest that long-standing issues regarding BPA’s role be clarified and resolved so that these values can be preserved for our state and the region.

The Council can be an important contributor to this regional effort. We recommend that the Council play an active role in encouraging regional stakeholders and interests to reach practical agreement on BPA's long-term role in the region. At this point, we would not advise the Council, itself, to attempt to develop detailed solutions. Proposals are likely to enjoy broader support and durability if they are first developed by the parties who are directly affected by those proposals or have decision-making authority to implement them.

Council Question Number 1: Do you think the analysis of the problems and issues presented in the paper is accurate? If not, how is it inaccurate?

Generally, we think the Council's analysis is a good one. Also, we generally agree with the set of principles that the Council proposes should guide the development of a long-term solution.

We recommend adding one more aspect to the problem analysis: the size of the Federal Based System ("FBS") has diminished significantly since passage of the Regional Power Act in 1980. Some facilities have been retired or taken out of service, and the load-carrying capability of the hydropower system has been affected by resource management requirements. In the context of growing regional demands, a shrinking FBS amplifies the difficulty of regional allocation of benefits and complicates the question of BPA's role in regional resource development. The analysis should acknowledge that the decline in the size of the FBS is another key challenge for BPA and the region.

The Council analysis correctly identifies the ambiguity in BPA's role in regional resource development and the asymmetry between its wholesale service obligation and its customers' freedom of choice. This mismatch, and its implications for clouding who bears the obligation to ensure sufficient power resources is a fundamental problem. The region and BPA need to resolve this mismatch. BPA's role in meeting the region's load growth, or the load growth of individual utility customers, should be clearly established. Similarly, the commitment of the region, or individual utilities, to pay for new resources should this obligation be imposed on BPA should be clearly established.¹ The ambiguity in BPA's role undermines BPA's financial stability and clouds decision-making and the investment climate for power resources in the region. Whatever role is chosen, the region badly needs clarity on this issue.

Ensuring an equitable share of the benefits of the federal system for residential and small-farm customers of investor-owned utilities is also an important issue, and we believe the

¹ For example, BPA could provide a load-growth service on a bilateral fee-for-service basis that does not involve regionalization of the costs and risks of resource acquisitions to meet the load growth of utilities that contract for that service.

Council analysis characterizes the issue accurately and fairly. We recommend three minor edits on page 8. First, BPA ultimately offered the IOUs 1900 average megawatts, not 1800. Second, in the second paragraph, the second sentence should note that the Western electricity market drove up the cost of providing power to meet all of the BPA load commitments that went beyond the capacity of the FCRPS. BPA had to buy power under unfavorable conditions, not just to meet the residential exchange loads, but also to meet the load of the DSIs and the public utilities that returned after diversifying their loads in 1996. Third, we recommend that the word “unacceptable” replace the word “extreme” in the final sentence of the third paragraph.

Council Question Number 2: Do you agree that a more limited role for Bonneville in power supply as described in the principles is appropriate? If not, why not?

The Council proposes the principle that BPA’s role should be limited generally to the marketing of the existing FBS (largely through slice-like contracts) and that any load-growth arrangements be made bilaterally and with the purchasing utility bearing all risks and costs. Alternatively, the Council proposes that tiered rates could accomplish appropriate price signals and risk management.

These are good principles for the region to consider. Such principles could help resolve the ambiguity and asymmetry problems the Council has identified, as we have emphasized in the response to Question Number 1. Limiting BPA’s role in power supply could produce the added benefit of allowing BPA to focus more directly on aspects of its statutory mission not directly related to power marketing, including conservation and fish and wildlife programs.

Council Question Number 3: Do you think the question of Bonneville’s future role in power supply needs to be addressed in the near future? If not, why not?

Yes. While it is true that much of the federal power is contracted through 2011, it is also true that power resource investments have long lead-times. The sooner some resolution can be brought to the question of the relative responsibilities of BPA and the utilities for meeting load growth, the better.

We also note that while a successful resolution of the short-term issues (pre-2011) surrounding BPA rates, litigation risk, and residential and small farm benefits would be beneficial to a constructive environment for addressing these longer-term issues, any setback in this effort should not deter the Council from persevering in its efforts to focus the region’s attention on BPA’s long-term role

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Council Question Number 4: Do you think the principles or characteristics proposed by the Council are appropriate guidance for consideration of Bonneville's future role? If not, why not?

Yes, we think the Council has offered constructive and appropriate guidance. Specifically, we think the Council can best serve the region by focusing its advice at the level of principles, rather than detailed proposals. In addition, the Council's analytic expertise would be a beneficial contribution to the parties developing proposals as the process goes ahead.

We want to offer a specific, positive comment on the Council's principles regarding conservation and renewable resources on p. 21 (which were more fully elaborated on pp. 17-18 and in the Council's *Recommendations*, Council Document 2002-19, December 17, 2002). While we believe that the devolution of resource acquisition to the region's utilities is, overall, the right path to take, we, like you, believe that our region's potential for the acquisition of cost effective conservation and the making of intelligent investments in renewable energy will be realized only if BPA plays an important role in both of these areas. We also strongly support the continued role of the Council in setting regional conservation targets that the utilities and BPA can work together in reaching.

In closing we want to thank you for your excellent and important work and for this opportunity to provide comments and suggestions. Our colleague Bill Tweit, who is the Lead for Columbia River Policy at the Washington Department of Fish and Wildlife, asks us to convey to you his additional support of your effort. The DFW believes that clarifying BPA power responsibilities will provide greater certainty for fish operations and improve the prospects for achieving the fish and wildlife goals of the Act.

Sincerely,

Carole J. Washburn
Executive Secretary
Washington Utilities &
Transportation Commission

Tony Usibelli, Director
Energy Policy Division
Department of Community,
Trade and Economic Development

cc: Dave Danner
Tom Karier
Larry Cassidy